

VZCZCXYZ0000
RR RUEHWEB

DE RUEHAK #0402/01 0601334
ZNY CCCCC ZZH
R 291334Z FEB 08
FM AMEMBASSY ANKARA
TO RUEHC/SECSTATE WASHDC 5428
INFO RUCNMEM/EU MEMBER STATES COLLECTIVE
RUEHAH/AMEMBASSY ASHGABAT 1953
RUEHTA/AMEMBASSY ASTANA 0028
RUEHKB/AMEMBASSY BAKU 1558
RUEHBM/AMEMBASSY BUCHAREST 1063
RUEHKV/AMEMBASSY KYIV 0038
RUEHMO/AMEMBASSY MOSCOW 5587
RUEHSI/AMEMBASSY TBILISI 3141
RUEUITH/ODC ANKARA TU
RUEAIIA/CIA WASHDC
RHEHAAA/NSC WASHDC
RUCPDO/DEPT OF COMMERCE WASHDC
RHEBAAA/DEPT OF ENERGY WASHINGTON DC

C O N F I D E N T I A L ANKARA 000402

SIPDIS

SIPDIS

EEB FOR SULLIVAN, MANN, GALLOGLY
EUR FOR DAS BRYZA
NSC FOR CATIPON
DOE FOR HEGBURG

STATE PASS TO USTDA STEIN

E.O. 12958: DECL: 02/28/2018
TAGS: [ECON](#) [EFIN](#) [ENRG](#) [EPET](#) [PREL](#) [RO](#) [TU](#)
SUBJECT: TURKEY'S VIEW ON LNG THROUGH THE BOSPORUS STRAITS

REF: A. BUCHAREST 00088
[1](#)B. ANKARA 00035

Classified By: Economic Counselor Dale Eppler for reasons 1.4
(B) and (D)

[1](#)1. (U) This is a joint Embassy Ankara/Consulate General
Istanbul report.

[1](#)2. (C) Summary and comment: In reference to proposed
liquefied natural gas (LNG) terminal in Constanza (ref A), we
researched LNG transit through the Bosphorus and Dardanelles
Straits. Currently, no LNG transits the Bosphorus Straits;
however, a small amount of heavily-regulated liquefied
petroleum gas (LPG) is allowed passage. Through the
Dardanelles, a small amount of LNG passes. The Turks said
they cannot prohibit the passage of LNG through the Bosphorus,
but believe they can implement additional restrictions
because it is considered hazardous cargo under the Montreaux
Convention, and the Bosphorus already is at capacity for
hazmat transit. According to Chevron, long waiting times for
LNG transit through the Bosphorus could sink the business case
for the Constanza terminal. To our surprise, the Romanian
Embassy in Ankara told us they expect the U.S. to negotiate
LNG transit terms with Turkey. We believe Romania should
take the lead in discussing the project with the Turks. If
the project is on the agenda for the NATO forum in April,
Romania should consult with the Turks prior to that meeting.
The Turks will be looking at many factors regarding LNG
transit, such as whether proposed Bosphorus bypass oil
pipelines will reduce Bosphorus tanker traffic. They also
will be sensitive to political pressure from Istanbul to
reduce hazmat traffic. End summary and comment.

LNG Through the Bosphorus Straits?

[1](#)3. (U) According to MFA Maritime Undersecretariat Navigation
Safety Department Head Okay Kilic and Vessel Transit System

Captain Tuncay Cehreli, the GOT already regulates the transit of a small amount of liquefied petroleum gas (LPG) through the Bosphorus and a small amount of liquefied natural gas (LNG) through the Cannakale Straits or Dardanelles. There are currently two LNG re-gasification and storage terminals in Turkey -- one in Izmir and one on the Sea of Marmara -- that can only be reached by transiting the Dardanelles.

¶4. (U) LPG and LNG are considered hazardous cargo under the Montreaux Convention, the regulatory regime governing the straits. Vessels carrying hazardous cargo must adhere to strict safety and security measures. If the vessels call at Turkish ports, they must allow a Turkish pilot to board the ship and be guided by tug boats. For vessels passing through the straits without a port call, pilots and tugs are recommended but not mandatory. In addition, ships with hazardous cargo must provide a minimum of 24-hour advance notification, pass only during daylight hours, and hazardous traffic through the straits can only flow in one direction at a time.

¶5. (C) No LNG currently passes through the Bosphorus straits. Since the Straits are even more narrow and difficult to navigate than the Dardanelles, Kilic speculated that the GOT could introduce additional safety measures for LNG transit but did not think the GOT could prohibit LNG transit altogether. Cehreli told us that the Bosphorus is "at capacity" for hazardous cargo. Approximately, 150 vessels carrying 920,000 million tons (M/T) of cargo pass daily through the Bosphorus. Of these, 27 ships carry 395,000 M/T of hazardous cargo. Two of the 27 hazardous cargo tankers are LPG tankers. Annual LPG transit through the Bosphorus was 4,644,903 M/T in 2006. Because hazardous cargo requires the Straits to close to cross traffic, the effect of increased hazardous cargo transit would be a 50% reduction in capacity of the Straits, and/or very long wait times.

Is LNG through the Straits Economic?

¶6. (C) We understand that Iran's gas cut off to Turkey in January caused Turkey to increase its LNG purchase on the spot market (ref B). According to Chevron shipping captain Kjell Landin, the Turks now give special shipping priority to LNG cargo. Landin said that as a result, LNG cargo through the Dardanelles has jumped to the front of the line, delaying other ships, perhaps in violation of WTO principles of equal access. Landin speculated that Turkey would not likely grant this preferential treatment to ships from other countries and may face legal challenges if it were to continue this practice. Landin said without a steady flow of LNG cargo, the economics of the Constanza LNG terminal might not work. Due to safety regulations that would shut down the Straits to allow for the transit of an LNG ship, LNG passage would increase congestion and shipping times in the Straits. Already, in the winter months, oil tankers can wait up to 30 days for a Straits transit slot. Landin speculated that the cost of having an LNG terminal sit idle that long would be prohibitive. He thought that a gas liquefaction terminal build on the Black Sea, perhaps on the Georgian border, would improve the economic prospects of the Constanza project. However, in a separate meeting with StatOil Turkey General Manager Sverre Mala, we heard that neither LNG nor LPG transited across the Black Sea would be economic compared to building a pipeline such as the proposed White Stream project.

Romania Expects U.S. to Negotiate LNG transit

¶7. (C) Romanian Economic Counselor Dmitri Radoi told us he is under strict instructions from the Romanian Foreign Ministry not to discuss the LNG terminal proposal with the GOT. He said the transit of LNG through the Straits is a very sensitive issue and, since this would be a joint U.S.-Romanian project, it would be "incumbent upon" the U.S. to negotiate the transit terms with Turkey. He said Romania understands the best way to gain Turkey's acceptance is to invite them to join the project, although he declined to

provide any details on what role the Turks could play.

18. (C) Comment: Turkey probably would look more favorably on the Constanza project if they are included as a partner in the early stages, although we don't believe it would be the deciding factor. Conversely, if Romania decides to back White Stream or other gas projects that bypass Turkey, that would almost certainly reduce the likelihood of getting a favorable Turkish response on LNG. There are many other factors that will affect Turkey's thinking on LNG transit, such as a possible reduction in oil tanker traffic if and when a Bosphorus bypass oil pipeline becomes a reality, or a shipping accident in the Straits that increases political pressure from Istanbul to further restrict hazardous cargo.

Visit Ankara's Classified Web Site at
<http://www.intelink.sgov.gov/wiki/Portal:Turkey>

WILSON